

## Message Text

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PAGE 01 SANTIA 02198 172255Z  
ACTION SS-25

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C O N F I D E N T I A L SANTIAGO 2198

EXDIS

E. O. 11652: GDS  
TAGS: EAID, SHUM, CI  
SUBJECT: CHILE: SHOULD THE REMAINING ECONOMIC ASSISTANCE BE  
CURTAILED?

1. SUMMARY: WE HOPE THAT IN FORMULATING THE USG'S NEXT STEPS WITH REGARD TO CHILE, NO ACTION WILL BE TAKEN TO INTERRUPT OUR RESIDUAL, FY 77 AID PROGRAM. MOST IMMEDIATELY, WE ARGUE AGAINST REVERSING THE PREVIOUS DECISION TO CARRY OUT A LOAN PROJECT FOR SMALL FARM IRRIGATION. END SUMMARY.

2. WE HAVE GATHERED FROM SOME RECENT REPORTS THAT BOTH CONGRESSIONAL AND EXECUTIVE BRANCH SOURCES ARE CONSIDERING STEPS TO CUT OFF SOME OR ALL OF THE RESIDUAL ECONOMIC ASSISTANCE BEING PROVIDED TO CHILE. THE MARCH 13 WASHINGTON POST STATES THAT WILLIAM RICHARDSON, SENATE FOREIGN ASSISTANCE SUBCOMMITTEE STAFFER, FORECASTS A REQUEST FOR A HUMAN RIGHTS REPORT FROM CHILE FROM THE STATE DEPARTMENT, NOTING THAT GOC CONTINUED TO OBTAIN SOME ECONOMIC ASSISTANCE. WE HAVE ALSO LEARNED THAT THE AUTHORIZATION OF THE FY-77 AID ON-FARM IRRIGATION PROJECT HAS BEEN DELAYED PENDING BROADER POLICY DETERMINATIONS.

3. AS DEPARTMENT WILL RECALL, CONGRESS LAST YEAR TERMINATED MILITARY ASSISTANCE TO CHILE, THROUGH THE SECURITY ASSISTANCE ACT, AND AT THE SAME TIME SHARPLY LIMITED ECONOMIC ASSISTANCE.  
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PAGE 02 SANTIA 02198 172255Z

TO AVOID A CONTENTIOUS DEBATE, THE GOC REQUESTED US NOT TO SEEK ANY AID ASSISTANCE FOR CHILE IN THE FY-1978 LEGISLATION. THUS, ESSENTIALLY, THE U.S. AID MISSION IN SANTIAGO IS ADMINISTERING A RESIDUAL OPERATION. THE ON-FARM IRRIGATION PROJECT IS A MAJOR ELEMENT IN THE 77 PROGRAM.

4. THE QUESTION ARISES: IS A CUTOFF OF THIS AND OTHER ASSISTANCE

ALREADY PROGRAMMED FOR FY-1977 THE BEST WAY TO EMPHASIZE TO THE GOC OUR DISTASTE FOR ITS REPRESSIVE HUMAN RIGHTS POLICIES? WE THINK NOT, FOR SEVERAL REASONS.

5. FIRST, THIS IRRIGATION PROJECT, LIKE ALL OTHER PORTIONS OF OUR CURRENT AID PROGRAM, HAS BEEN CAREFULLY SCREENED TO ENSURE THAT IT FALLS SQUARELY WITHIN THE CONGRESSIONALLY MANDATED OBJECTIVES OF OUR OVERALL AID PROGRAM. IT IS DESIGNED TO BENEFIT PEOPLE LIVING IN PERHAPS THE MOST POVERTY STRICKEN REGION OF CHILE, MANY ON A BARE SUBSISTENCE BASIS. THEY ARE NOT RESPONSIBLE FOR THE THINGS THAT ARE HAPPENING IN THIS COUNTRY. TO PENALIZE THEM WOULD BE TO STRIKE AT THE WRONG TARGET. CONGRESS WAS INFORMED OF THE ON-FARM IRRIGATION PROJECT WHEN IT CONSIDERED AND APPROVED THE LIMITED FY-77 PROGRAM.

6. SECOND, THERE IS A MORAL COMMITMENT TO GO FORWARD WITH THE FY-77 AID PROGRAM. THE DEPARTMENT WILL RECALL THAT CONGRESS CUT IN HALF THE \$55 MILLION ORIGINALLY REQUESTED FOR CHILE. \$27.5 MILLION WAS AUTHORIZED BUT WITHHELD, UNLESS THE PRESIDENT COULD CERTIFY TO THE CONGRESS CHILEAN COMPLIANCE WITH CERTAIN HUMAN RIGHTS REQUIREMENTS. NO SUCH CONDITION, HOWEVER, WAS ATTACHED TO THE OTHER \$27.5 MILLION APPROPRIATED FOR CHILE. OF THIS SUM, \$15 MILLION HAS BEEN COMMITTED IN THE FORM OF PL-480 TITLE I WHEAT, LEAVING \$12.5 MILLION PROGRAMMED FOR ASSISTANCE TO LOWER INCOME GROUPS, MOST OF IT FOR THE ON-FARM IRRIGATION PROJECT.

7. IT WOULD BE VERY DIFFICULT TO ARGUE THAT WHAT HAS HAPPENED IN CHILE SINCE THE FOREIGN ASSISTANCE ACT PASSED, WOULD JUSTIFY  
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PAGE 03 SANTIA 02198 172255Z

A GOOD FAITH BREACH OF THE AUTHORIZED PROGRAM. THERE HAVE BEEN BOTH FAVORABLE AND UNFAVORABLE DEVELOPMENTS HERE: LIBERATION OF MANY PRISONERS, AND FEWER REPORTS OF ARBITRARY DETENTIONS, DISAPPEARANCES, AND TORTURE, ON THE ONE HAND; A CRACK DOWN ON THE CHRISTIAN DEMOCRATIC PARTY ON THE OTHER. WE RECALL THE DEPUTY SECRETARY'S TESTIMONY BEFORE THE SENATE FOREIGN ASSISTANCE SUBCOMMITTEE: "WE URGE THAT YOU JOIN US IN GIVING PRESENT LEGISLATION WITH HUMAN RIGHTS PROVISIONS A CHANCE TO WORK...".

8. THIRD, A DECISION AT THIS TIME NOT TO CONCLUDE THE IRRIGATION LOAN WOULD HIT THE GOC AT A MOMENT OF EMOTIONAL TENSION IN OUR BILATERAL RELATIONS. THE REACTION MIGHT JEOPARDIZE THE ORDERLY TERMINATION OF OUR PROGRAMS, HARMING THE BENEFICIARIES -- FOR THE MOST PART THE POOR AND UNDERPRIVILEGED.

9. FINALLY, IT IS LEGITIMATE TO ASK HOW THE INTERRUPTION OF ALREADY APPROVED ECONOMIC ASSISTANCE WOULD HELP US TO ACHIEVE OUR OBJECTIVE OF IMPROVING THE HUMAN RIGHTS SITUATION IN CHILE. ASSUMING WE BELIEVED THIS COULD BE DONE THROUGH ECONOMIC PRESSURE,

THE REMAINING AID PROGRAM IS OBVIOUSLY FAR TOO SMALL FOR ITS LOSS TO HAVE ANY EFFECT. IF WE BELIEVE THAT IMPROVEMENT CAN COME ONLY AFTER THE JUNTA HAS BEEN OUSTED, CUTTING OFF AID WOULD ACTUALLY BE COUNTERPRODUCTIVE. IT WOULD GIVE RISE TO REACTIONS LIKE THOSE WE HAVE SEEN FROM BRAZIL, ARGENTINA, AND URUGUAY; IT WOULD TEND TO RALLY CHILEANS BEHIND THE JUNTA; IT WOULD HEIGHTEN CHILE'S SOLIDARITY WITH THE OTHER SOUTHERN CONE COUNTRIES; AND IT WOULD THUS TEND TO POSTPONE WHATEVER OPPORTUNITY THERE MIGHT BE FOR THE U.S. TO EXERCISE CONSTRUCTIVE INFLUENCE IN CHILE.

10. WE HOPE AN EARLY AND FAVORABLE DECISION CAN BE MADE ON THE IRRIGATION PROJECT, SINCE THE GOC HAS WORKED WITH US THROUGHOUT ON IT AND IS AWARE THAT AT LOWER LEVELS (DAEC) IT HAS BEEN APPROVED. FURTHER, USAID IS NOW DEVELOPING WITH GOC THE OTHER TWO LOAN PROJECTS IN THE PROGRAM.  
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